The Management REVIEW

OCTOBER, 1946

COMMENT • DIGEST • REVIEW

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WORKERS are more conservative in their views than is generally believed; indeed, worker opinion is often closer to management's viewpoint than it is to union leaders' thinking. This is perhaps the most important conclusion to be drawn from a recent survey by *Factory* (**How Workers and Management Stand on Labor Controls**—page 414). Those polled in this survey favor legislation to control strikes and to make unions responsible under the law; they overwhelmingly accept the major proposals incorporated in the Case Bill. As a specific example, 78 per cent of employees approve a compulsory 60-day "cooling-off period" before a strike could be called. Survey results indicate that a sound public relations program could do much to show workers the mutuality of their and management's interests.

PRICE inflation will end in 1947, according to a majority of 72 leading economists who were recently polled by the F. W. Dodge Corporation. A mild business recession is expected by most to accompany the decline in prices, though it is not felt that employment will be seriously affected. However, of the economists who anticipate a price recession before the end of next year, 24 expect the recession to be "moderately serious." (Detailed conclusions of this significant consensus are given on pages 404-405.)

THE perennial question, "Does the rapid depletion of our natural resources threaten to make us a 'have-not' nation?", comes up for consideration again in the feature abstract of this issue (**Our Dwindling Resources**). While the outlook is dark for certain natural resources, it is pointed out that there are a number of bright overtones to the picture and several practical remedies for the depletion of our raw materials.

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THE MANAGEMENT INDEX

General Management

Our Dwindling Resources

Is the United States dissipating its natural resources too fast and thereby signing its own doom as the world's foremost industrial nation?

Those who take the gloomy view point especially to the prodigious expenditure this country made of her resources to win the late war. Harold Ickes, ex-Secretary of the Interior, recently estimated that the minerals used for manufacturing war weapons and equipment, and the fuels needed to operate them, amounted to one-fifth of the total produced in the 65 years from 1880 to date. But there are plenty of competent authorities who claim that the picture is not so alarming as the pessimists paint it.

Though there may be only small reserves of some resources left, there are vast quantities of others, the utilization of which will largely make up for those becoming exhausted. Also, conservation policies have been successful in safeguarding many resources that were at one time being dangerously depleted. For example, soil, one of the nation's most valuable resources, has been subjected to conservation practices that have removed most of the fears once felt for the country's sources of food supply. So with forest resources. Lumber is now treated as a crop, and scientific replanting is compensating for the standings cut.

In an industrial nation such as the United States, greater emphasis is generally placed on resources under the soil than on those on top. And it is on the inroads made into some of the former that the pessimists base their predictions. But the situation is not so dark as sometimes depicted. There's no need to fear, for instance, about the unmined stocks of one of our most important minerals—coal. Minimum estimates place available reserves at over three trillion tons (against an annual consumption of some 600 million tons).

What about our next most important resources—iron ore? The famed Mesabi range, it is estimated, has only enough unmined reserves to last some 20 years. Smaller ore deposits in other localities, such as Wisconsin and Alabama, are about equally depleted. When these give out, however, the industrial might of the United States will not necessarily come to an end.

The iron ore being mined today is the cream of the crop, containing 50 per cent metal content. This high-grade ore may not be inexhaustible, but the supply of lower-grade iron ore—containing 35 per cent metal or less—is almost limitless. At present, the recovery of the metal from such low-grade ores is costly, but only a generation ago aluminum was a luxury metal because of the high cost of its

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extraction. Today, advances in techniques and the development of electrical power have lowered recovery cost to make aluminum one of the cheapest of metals. Similar advances in the recovery of iron from low-grade ores will, it is claimed, give the United States inexhaustible supplies.

Superficially, the situation with oil is not so bright. There can be no such thing as a low-grade oil well. The American Petroleum Institute puts the present proved reserves of oil at only some 20 billion barrels, with not more than another 15 billion awaiting possible discovery. The proved reserves are actually considerably less than what has already been taken from the ground.

Does this mean that in 15 or 20 years the country will revert to the horse and buggy age? By no means. There are other potential sources of oil, all of them only awaiting refinements of technique to produce gasoline as cheaply as it is now produced from the oil wells of Texas or California. Further, coal can be converted into oil, by polymerization and hydrogenation. For the moment, the cost of producing a gallon of gasoline synthetically is three times the cost of producing it from natural crude oil—15 cents a gallon, as against five cents. But improvement in manufacturing techniques will undoubtedly reduce the cost to the level of the natural product.

Once a method of producing synthetic gasoline cheaply is solved—and it isn't as big a problem as some others scientists have surmounted—there are sources other than coal from which fuel for the automobile age can be found, long after the last oil well has been pumped dry. Shale rock, rich in kerogen, has already been utilized to produce oil in Scotland, Sweden, and Japanese-controlled Manchuria.

Shale rock formation in the United States is unbelievably plentiful. The Black shale of Indiana alone is considered capable of yielding 100 billion barrels. For the whole United States, the estimated yield is not less than 500 billion barrels, twice as much as the present estimated reserves of natural oil still left untapped in the whole of the world's reservoirs. The oil wells of America may one day all dry up, but the supply of oil for your car from any number of other sources is safe for many centuries.

Of such rarer minerals as copper, tin, lead, zinc, silver, tungsten, etc., the outlook is as dark as it seems superficially for oil. But there are the same bright overtones. The substitution of alternative metals can meet many shortages. For example, aluminum can be substituted in most cases for copper wire. Stainless steel serves almost all the purposes of bronze. A molybdenum alloy can substitute for nickel steel. The new age of plastics has already given substitutes for not a few metals, and it will undoubtedly give many more.

Chief among the remedies for the depletion of our natural resources are: (1) perfecting processes for cheaply recovering metals from low-grade ores; (2) perfecting techniques for cheaply producing similar synthetic products, such as gasoline from shale; (3) extending to other metals the re-use of scrap; (4) more reliance on foreign supplies. The United States has used about 50 per cent of its own oil, iron ore, copper, etc. Many foreign countries have practically untouched reserves.

By A. Wyn Williams. *Forbes*, May 15, 1946, p. 18:2.

The Coming Recession: An Economists' Consensus

GENERAL commodity prices will reach an early peak and then turn downward, in the opinion of a majority of 72 non-government economists participating in a survey conducted by Thomas S. Holden, president of F. W. Dodge Corporation.

The group polled includes economic consultants and economists connected with business corporations, financial institutions, universities, and economic research organizations.

Fifty-three expected the peak to occur and the general price recession to start before the end of 1947, one expected it within 18 months, while 12 expected it after the end of 1947. The remaining six commented on the price situation without giving specific answers as to the time when the peak of the current movement may be reached.

All but three of the economists who expect a price recession before the end of 1947 anticipated the downswing in commodity prices to be accompanied by a recession in business activity, though only one of the 50 expects such business recession to assume serious proportions. Twenty-three of them characterize the coming recession as "mild," 24 of them as "moderately serious." A majority (28 of the 53) do not expect serious unemployment; nine expect unemployment of moderate seriousness; and 12 expect serious unemployment. About half expect buyers' strikes, and about two-thirds expect inventory troubles and reduced business profits.

A composite of the views expressed on the timing of the price and business recession follows: Consumer goods would reach a price peak and turn down during the spring of 1947, building materials around the middle of next year, other durable goods in the second half of 1947. Eighteen of the economists expect the turn in consumer goods prices before the end of 1946. With regard to duration of the downswing, two-thirds expect it to last less than 12 months in consumer goods prices, 60 per cent expect less than 12 months of downswing in building materials prices, and 55 per cent expect less than 12 months of declining prices in durable goods other than building materials.

Pointing out that the Bureau of Labor Statistics' index of wholesale prices of all commodities stood at 128.4 on August 24, the economists were asked to estimate the extent of such rise over that figure as they might anticipate by the end of 1946, and by the time the index reaches its anticipated peak.

Among the 53 anticipating a price peak before the end of 1947, the extent of rise in the general index to the end of 1946 was as follows: Five anticipated a decline from the August 24 figure, eight anticipated zero increase over that figure, 28 anticipated rises ranging from two to nine points, and seven anticipated a rise of 10 points or more. The average of all the answers was about five points increase.

On the question of the number of points the general index would rise from August 24 to the anticipated 1947 peak, the answers were as follows: no increase, seven; increases ranging from two to nine points, 16; increases from 10 to 15 points, 13; increases of more than 15 points, 10. The average of all the increases indicated was a little under 10 points.

With regard to building materials prices, 32 of 42 answers indicate a smaller percentage drop from the peak

than would occur in general commodity prices. A number qualified this statement by saying the drop would be less if measured from the official price index (which registers OPA ceiling prices) but greater as measured from actual current prices being paid in the market.

The minority of 12 who expect the price peak after the end of 1947 naturally expect larger price rises than do those of the majority group. The average of increases to the end of 1946 expected by the minority is 10 points; the average of expected rises to the price peak is about 40 points.

As a general conclusion, it may be stated that a majority feel commodity price inflation has very nearly run its course, while the minority expect it to continue into 1948 or beyond.

The six economists who refrained from specific answers to the questions asked cited uncertainties in the foreign situation, domestic politics, government controls, and union labor attitudes as reasons why no answers could be hazarded.

Business Explains Itself

A CONCISE picture of the principles underlying the operation of American business is afforded its employees through a series of bulletins issued by the S. D. Warren Paper Company, Boston.

Publication of *Warren's Business Bulletins* is based on the belief that circumstance and political propaganda have made it necessary for American business to explain itself to a public which has been taught to be suspicious of explanations that come from business, but that facts about business can be made credible to a large proportion of the public if the facts are presented to small groups by spokesmen who are known and trusted by those groups. This paper company feels that employers who respect, and in turn are respected by, their employees are the logical spokesmen to make the facts about business credible to employees.

The bulletins are designed to describe the American business system, telling how businesses are built and how they are operated, and to define the position that business occupies in American life.

—*Dun's Review* 5/46

G.M. Asks Advice

IN a bid for advice and comments on its labor relations and personnel practices—and not unlikely for more professorial goodwill—General Motors Corporation recently was host to a score of college educators in its second annual "open house" at Detroit and outlying plants.

Reports were gathered on the results of the professors' scrutiny of company operations, with particular emphasis on labor-management relations. Brickbats as well as bouquets may have been included, but G.M. reported it was well satisfied with what it learned. Plans were announced for a similar program in 1947.

After quietly trying the program out in 1945, the management this year sent invitations to a selected group of professors of sociology, labor relations, and related subjects, inviting them to be guests of G.M. at the corporation's expense—in a plant inspection which the company explained was designed to get a variety of opinions on its policies from men qualified in a variety of fields of study.

The group gathered in Detroit, where they were briefed for a day by company officials on their methods of approach to labor problems; their progress, solutions, and setbacks; their relationships with unions; their ideas of company responsibility and aims; and other similar topics.

Each professor then was assigned to a specific plant to do research and study for one week. Plant officials were instructed to answer all questions and to give every aid. At the end of the week the professors gathered again in Detroit, compared notes, and reported their findings and recommendations to the company.

—*Business Week* 8/17/46

Puerto Rico Will Build You a Plant

CONSIDERING a move? Want a new branch factory? Puerto Rico will build it for you, to your own specifications, and let you operate it at a rental running roughly 1 per cent of its cost.

Determined to industrialize away the much publicized poverty of the Territory, the Puerto Rico Development Corporation, a public company, has set up what is called the Aid to Industrial Development.

Here is what AID offers a U. S. manufacturer:

A factory built to his specifications, leased at low rental.

A property tax exemption for up to five years.

A machinery tax exemption for the same length of time.

Chance to buy the factory at cost, with whatever rental has been paid applying toward the purchase price.

Going all out to attract industry payrolls in order to bring its buying power and per capita income more in line with those of the states, the Development Corporation maintains a staff of industrial experts and engineers to gather factory facts for industries interested in locating on the island.

For example, a manufacturer writes to San Juan for such hard-to-discover data as to what his labor cost per hour might be in a Puerto Rican factory, how much per square foot he'd pay for plant space, power, and shipping costs. Within a week the answers are back by air mail.

In addition, advertisements and sales messages of the Development Corporation stress certain advantages possessed by the island. These include: A big manpower pool; relatively low wage scales, as compared to those in the U. S. proper; a newly-skilled manpower reserve, trained in war work; traditional Puerto Rican labor skills, such as fine needlework; nearness to U. S., Central and South American raw materials; one of the best home markets in the Caribbean; help in selecting factory sites; power and fuel; modern banking facilities.

—DAVID MARKSTEIN in *Forbes* 10/1/46

Public Relations Booklets for Employees

PUBLIC relations booklets and leaflets have been gaining considerable popularity, especially in fields where employees have much contact with the public. They supplement house organ copy and movies, sound slides, easel presentations, company public relations discussion classes, etc.

One of the best examples was issued by the Baltimore & Ohio Railroad, which enlisted the writing and cartooning services of Don Herold for a humerous *Fan Letter to B. & O. Employees* about their courtesy. Writing and drawings are effectively humanized, and the booklet emphasizes to employees that "YOU are the B. & O."

"A good, strong, well-liked company is a mighty fine guarantee of a good, steady job," the Shell Oil Company points out in *We Call it Public Relations,* which uses the cartoon technique and simple captions.

The New York Central Railroad has published two especially effective booklets, *Out on the Line,* and *Company Manners,* and indirectly indoctrinates workers through an advertising campaign in which the public is told what to expect from employees. The advertising copy describes courtesy round tables attended by employees and pays tribute to 25,000 graduates.

The ABC of Baltimore Transit Public Relations (Baltimore Transit Company) is an amusing booklet which runs through the alphabet with suggestions for courtesy and fun on the job. The Company also has a weekly radio feature, the "Tuneful Trolley," on which commercial announcements enlist the public in nominating employees for acts of courtesy, with government bonds as prizes to the winning employees.

The Pennsylvania Railroad, in *It's a Good American Custom,* asks whether employees remember the butcher ("he never forgot your dog"), the baker ("and his baker's dozen—the extra roll") and the candy-maker ("you always picked *his* shop") and emphasizes that it's human relationships with passengers and shippers which "really pay us our salaries."

A jolly figure, *Mr. P. R.,* is used by the Milwaukee Railroad to show the employee that his efforts in winning public favor bring him personal advantages.

—*Publications Issued to Employees* (Association of National Advertisers, Inc.)

So You're Going to a Convention?

MORE than 100,000 conventions, meetings, and technical conferences are sponsored every year by over 3,000 national and 9,000 state or local trade associations, engineering societies, and professional groups. Millions of people go to them; thousands spend time there profitably; but only a few hundred get the most out of them.

Techniques for putting ideas and information into conventions have been highly developed. How to get the ideas out of them has received scant attention. Attending a convention profitably is hard work which calls for a variety of business skills.

The first step is to recognize convention-attending as a business opportunity, the time spent at meetings as part of a business trip. Don't lose sight of the main idea—to bring back something of future benefit.

When you get to a convention, take a good look at the program. Decide which speeches and sessions promise new ideas or information. Then participate in those sessions.

Even listening closely isn't enough. Try to analyze, to translate the speakers' ideas into terms applicable to your own problems. Participating means taking part mentally, trying to interpret from the speaker's mannerisms, tone of voice, or asides, meanings that may not be obvious from the words themselves. Alert listening breeds questions, stimulates additional ideas to bounce off the other minds assembled. When the discussion period comes, ask those questions. Express those ideas. Participate!

What do you get out of it? You may get able people thinking about problems important to you or your company. Helpful ideas pop out from the most unexpected sources. Then, too, you get practice in expressing yourself clearly before a crowd. You identify yourself in a pleasing and appropriate manner among members of your profession. Your ideas and questions invite others to meet you, talk with you later, exchange more ideas, explore new areas.

It's also profitable to make yourself available for committee activity which may arise out of the meeting. Technical or administrative committee work often associates you with leading men in your field, makes you of more importance to your company, gives you invaluable experience in getting results through group operation.

In between the formal convention sessions, circulate. Talk to people, let people talk to you. Get interested in their problems and get them interested in yours.

Don't eat by yourself—and don't spend time with associates from your own company whom you see every day. Seek new contacts, unfamiliar ideas. The essence of a convention is people. It's a place where people come together for a purpose. Shun the people and you miss the purpose.

As the meeting runs its course, jot down notes—notes of new information picked up, where to go for further data; notes on casual conversations of human or business interest, notes of names, addresses, of ideas for your own work, stimulated by some paper, some discussion, some chance remark. Jot them down—promptly. They'll be result-producing memoirs for later culling.

When you get back home, finish your convention-attending job. If your boss doesn't ask for a memorandum about the meeting, write one anyway. Don't just give him a transcript of your jottings. Make a list of ideas and information resulting from the convention which have some meaning in re-

lation to your own work, your boss' interests, your company's problems.

When that memorandum has been made just as practical as possible, when it has been written and delivered, when you have followed through to action as best you can all the ideas you meant to do something about, then you are attending that convention—and not until then.

By Norma G. Shidle. *Forbes,* May 15, 1946, p. 29:1.

Business Looks at "Public Relations"

TODAY many a business man thinks he needs a public relations man at his elbow before he dares utter a word to the "press." The public relations men have been extremely energetic in selling this idea of their omnipotence to the business men of the country. There is now considerable suspicion that they have oversold themselves, and business is beginning to ask the public relations profession so many embarrassing questions that several public relations people have recommended a public relations campaign for the public relations men themselves.

Chief among the embarrassing questions which astute business men have been asking the public relations men is, "Isn't what you call public relations usually little more than plain, old-fashioned publicity work, formerly known as press agentry?" The average public relations man has a difficult time answering that one.

Another question that brings gray hairs and ulcers to the harassed public relations man is, "How much does this *free* publicity you recommend cost?"

And another question that both business men and the public relations gentry are asking themselves and each other is, "Where did all the newcomers in this lush field become qualified to sit at the elbows of more widely experienced business men and put words in their mouths?"

Business wants to know the answers before it continues shelling out huge sums to the large number of public relations firms which have been enjoying, for several years now, the greatest bonanza ever to come to a group of business advisers.

Taking up the first question, "Isn't public relations work really publicity, or old-fashioned press agentry?"

In a great majority of cases the answer is a resounding, "Yes!" It seems that publicity masquerading under the label of "public relations" sounds more dignified and will bring larger fees than when more honestly labeled.

Why there is so much shying away from the term "publicity" no one knows, unless it be for the reasons just mentioned. Actually no business should be ashamed of wanting publicity; no honest publicity man should be ashamed of purveying publicity for a legitimate enterprise. But, like its parent, "press agentry," publicity has fallen into disrepute. Now the term "public relations" is being so critically examined currently that public relations men are probably sitting up nights thinking up a new term.

We need to examine a few facts to understand what the public relations men did to bring the current flood of criticism and business skepticism about their activities.

Publicity campaigns probably reached a zenith in the late twenties. It was during this period such monstrosities as that of the watchmaker who publicly declared he wanted to build a wrist-

watch for the arm of the Statue of Liberty saw light. No new refrigerator could be announced without a bathing beauty or a semi-nude gal sitting inside it to attract attention. It was the era when every enterprise was launched with a publicity stunt.

Good taste, sound business judgment, truth, reliability went out the window in the rash of publicity stunts which blossomed in 1927, 1928, and 1929. Then came the sobering influence of the stock market crash. Business snapped its pocketbook shut whenever any publicity men came near during the early part of the thirties. Then, gradually, interest in public relations counselors renewed.

Today these practitioners, many with little experience to guide them, with pitifully meager knowledge of business, are offering a thousand schemes to business men. And business has been buying a surprisingly large number of them. But just as the boom was really gathering momentum, business, with its usual good sense, began asking questions.

When business asks the public relations man if what he proposes is a lot of free publicity, his answer is usually something like this: "Yes, publicity has a part in my plans, but only a small part. Actually our public relations program envisions every phase of your business. Our conception of public relations includes the way your telephone operator answers the telephone, the letters your executives write, how they act in public, your relations to the communities where your plants are situated. We will improve your labor relations, soothe over the bad publicity the labor boys have given you, win the friendship of powerful men in Washington, handle state legislators, educators, and many groups of opinion leaders." All that he says sounds wonderful. Business has been assailed so bitterly and so continuously since 1929 that anything suggested to put a halo over a corporate title is comforting to most corporation executives.

In many cases the public relations man encroaches upon the field which has been better tilled by the advertising agency in the past. He often offers to design new trade-marks, improve packages, set up new promotion policies, and to supervise every contact of the client with any sector of the public—be they employees, stockholders, customers, distributors, or ultimate consumers.

Invariably the public relations man proposes a "press party" at a swank hotel to start the campaign off with a bang. Some of these press parties have ended disastrously, but a whopping big party at some big hotel has almost become a standard device with many public relations workers. The excuse for the party may be a new product, a prominent speaker, release of an annual report, "meet our new president," or "inspect the plans for our postwar program."

Almost any old party will get some free space, will give some of the more pompous executives a chance to appear in public, have their pictures taken, and to sound off to young reporters. Sad to relate, some business men enjoy such antics. And therein lies one secret of the public relations man's influence. He makes his clients feel that they are molding public opinion. Another stunt is to have a client make a speech somewhere, embalm his words in a beautifully printed booklet to be mailed to all editors, politicians, office holders, educators, stockholders, and everyone else whose name appears on a list.

It must be pointed out here that competent public relations men do make valuable suggestions. More than that, they can give good advice about company policies. They may suggest, for

instance, that the company use better techniques in firing its boilers so the smokestacks will no longer flood a neighborhood with coal soot; they often suggest contributions to worthy causes in communities where a plant has a bad reputation; and they sometimes develop sound plans for public service projects which undeniably bring good-will. But too frequently their activities are usually concerned with getting the company's name in many papers, and being able to appear at contract renewal time with stacks of clippings.

Every good company needs good publicity in a reasonable measure. When it promotes executives, brings out new products, changes policies, releases an annual statement, builds or buys a new plant, raises wages, opens a branch house, offers new services—or any of the thousand and one other constructive things business does—there is an opportunity for valuable publicity.

Much of the best, most constructive, day-in-and-day-out public relations work in this country is being done by the salaried staff men of large companies. These companies have men who know the business in which the company is engaged as well as the public relations or publicity business. Their releases are sound, honest, well planted, and useful to the publications to which they are sent. Often these corporate public relations or publicity departments have specialists who contribute highly technical articles to scientific and professional journals.

Many a sound program of continuing publicity has been ruined by a public relations practitioner coming into the picture with synthetic devices to obtain much more publicity.

Biggest criticism of most publicity "campaigns" as conducted by many of the newcomers in the field, and some of the old-timers, is that even though much free space is garnered, the content of the publicity releases is so vaguely and distinctly connected with the company's product it is of little use. Mere repeating of a company name in the papers does not necessarily make people want to buy its products.

No business man can afford to neglect public relations. Nor should he blush or stammer when he asks for publicity. But in the future some of the stunts, gags, and didos to get space are out the window—and so are many of the present crop of practitioners who are Johnny-come-latelies, both to public relations and to business.

By Eugene Whitmore. *American Business*, April, 1946.

City Living Costs

MOVE to Houston, Texas, if you want to live for less. That's one implication of a brand new "intercity index" of prices compiled by the Bureau of Labor Statistics. Experts have spent a year calculating how much more or less a dollar will buy in 31 large cities.

The winner, Houston, turns out to be 12 per cent less expensive to dwell in than Washington, which—because it is always at the center of governmental thought—was selected to stand as 100 in the index. Eating takes about the same money in each town, but Houston's clothing is only 86 per cent as costly and its housing 68 per cent.

Penny-pinchers, the Bureau thinks, should also make out well in Scranton, Pa., where living costs stand at 90 on the scale, and in Kansas City and New Orleans, each with a rating of 91.

Metropolitan centers to shy away from—if living costs are a consideration—include Seattle, New York, San Francisco, Washington, Chicago, Detroit, Milwaukee, Pittsburgh, and the Portlands (in Maine and Oregon). The BLS gives them ratings from 103 to 97.

—The Wall Street Journal 4/22/46

Office Management

Using Films in Office Training

THERE are two major types of film used in training clerical employees and supervisory personnel in offices. They are sound-slidefilms and sound motion pictures. Most of these films have a musical background, with dialogue interspersed to explain key points. Though both types are employed for all purposes, sound-slidefilms are more generally used in training workers for specific jobs and skills, while motion pictures are more often used for broad general subjects, such as the indoctrination of new employees, teaching company policies and office rules, etc.

Training New Employees at the Northern Trust Company. In this Chicago bank, training films have been used for several years, during which time many subjects have been taught employees on all pay grade levels, including supervisory personnel and bank officers. Under the direction of Robert R. Saer, training films were used to teach bookkeeping operations and to illustrate proper technique in the use of office machines. Mr. Saer also says, "The visual studies of procedures and hand motions made a noticeable contribution to training methods, which was fully apparent in better quality and quantity of production."

Training Employees in Telephone Technique at Shell Oil Company. A New York Bell Telephone Company film, which was produced to show office people how to use the telephone, was shown to a group of Shell Oil Company office workers recently and, according to the head of the film training division at Shell, "created a most favorable reaction among employees." There was an immediate noticeable difference in telephone courtesy and technique among most of those who normally use the telephone for business purposes during the working day. The company reports that "films stimulate supervisors at staff meetings, for which purpose they are a very good medium."

How Films Are Used for Business Letter-Writing Training at Servel. The service department correspondents at Servel, including the secretaries and clerks who handle the details connected with letter-writing, meet in groups of 10 to 12 for the showing of a sound-slidefilm on business correspondence methods. These meetings are held the first thing in the morning, on company time, and usually last about an hour and a half. Notes are taken during the screening of the film, following which a discussion takes place.

This program is under the direction of the general service manager, who says: "The employees are more impressed than the supervisory group, which is an indication that it is not hard to take. We feel that this is a very worthwhile investment, and expect to realize benefits through the use of this (and other) films for quite a long time."

Stimulating Employee Suggestions at the Northern Trust Company. As an indication of how various offices use films for different purposes, here is another report from Robert Saer, in which he says: "The suggestion films had a twofold purpose: first, to portray graphically the manner in which accepted ideas were adapted and used to effect operating economies; and, second, to stimulate a flow of sugges-

tions from the staff. That the film was effective is amply demonstrated by the steadily increasing number of workable ideas submitted and the uniformly fine quality of the suggestions turned in by employees."

Training Supervisors at UARCO with Sound-Slidefilms. Sound-slidefilms have been a notable factor in training supervisors in this office. According to the director of the film training programs, sound-slidefilms are an excellent medium for developing and improving supervision. The program director says, "It is the experience here at UARCO that sound-slidefilms are best used for training in specific skills and subjects, and motion pictures have greater value when used for general subjects." As soon as motion picture equipment becomes more readily obtainable, UARCO plans to broaden its film training program to include all office employees.

From *Films for Training Office Personnel,* The Dartnell Corporation, Chicago, 1946.

EDITOR'S NOTE: Industrial training directors interested in the use of films for training either office or plant employees will find practical guidance in *Teaching with Films,* by G. H. Fern and Eldon Robbins, recently published by The Bruce Publishing Co., Milwaukee (146 pages, $1.75).

Clerical Salaries in Metalworking Industries

NEARLY a tenth of the country's manufacturing employees are office or clerical workers; a third of these are employed in metalworking industries. In January, 1945, average hourly earnings of office workers in metalworking industries were about one-fifth higher than in department stores, but there was no consistent variation from the earnings of employees in electric light and power companies.

Straight-time average hourly earnings for men in office occupations in selected metalworking industries were: hand bookkeepers, $1.12; accounting clerks, 1.04; general clerks, .85; order clerks, 1.00; payroll clerks, .96; office boys, .55.

For women, straight-time average hourly earnings were: billing-machine operators, .73; hand bookkeepers, .92; bookkeeping-machine operators Class A, .88, Class B, .75, Class C, .68; calculating machine operators Class A, .79, Class B, .69; accounting clerks, .76; file clerks Class A, .72, Class B, .60; general clerks, .65; order clerks, .73; payroll clerks, .73; clerk-typists, .65; office girls, .55; stenographers Class A, .81, Class B, .69; switchboard operators, .73; switchboard operators-receptionists, .70; transcribing-machine operators Class A, .76, Class B, .67; copy typists Class A, .70, Class B, .61.

Earnings on the Pacific Coast were distinctly higher—about 15 per cent on the average—than in any other region. Paid vacations were provided for office workers in six out of seven metalworking establishments.

—*Monthly Labor Review* 7/46

Control Form Increases Efficiency of Stenographic Pool

WHEREVER stenographic pools are employed, there is a likelihood that considerable time and efficiency will be lost unless a strong, over-all control is instituted. This control should provide full and ready information concerning the following items: work in progress, time when any particular job should be finished, time when any stenographer should be ready for more work, comparative efficiency of all stenographers in the pool.

One company, using a pool of seven stenographers and typists, has developed a control form which is filled out by the chief stenographer and which furnishes a daily analysis of all work handled by the pool. The form consists of 11 columns, six of which are devoted to stenographic work and five to copying work. These columns are headed and filled out as follows:

1. *Name.* Stenographer's name or number.

2. *Out.* The time that the stenographer leaves the department to take dictation.
3. *For.* Name of the person giving the dictation.
4. *In.* The time when the stenographer returns to the department.
5. *Time Est.* Estimated time to do the work.
6. *End.* Actual time that the work is finished.

It should be noted here that the reason for estimating the time in column 5 is to enable the chief stenographer to know when a particular girl will be free for more work. This estimate can be fairly accurate if the chief stenographer is familiar with the speed and working habits of the individual girls.

The above six columns deal solely with dictation. The remaining five columns deal only with copying work:

7. *Start.* The time that a copying assignment is given to a stenographer.
8. *For.* The name of the person for whom the copying work is being done.
9. *Wanted.* The time of day that the job must be finished.
10. *Pages.* Number of pages.
11. *End.* Time that the job is finished.

Here, again, the information in column 9 enables the chief stenographer to know when the particular girl will be free for another job.

In some instances, a control sheet of this sort is used in conjunction with a work ticket. The ticket, made out in duplicate, states the time that the job is received, for whom it is being done, and when it is to be finished. The stenographer retains one ticket and the other ticket is placed in a pocket on a small bulletin board. Each pocket in the board bears the name of a member of the stenographic pool. The board therefore provides both the chief stenographer and the individual girls with a picture of activity in the department. The copy retained by the girl is stamped with the finish time and sent with the work to the person who gave the dictation or furnished the copy.

—*The Hiring Line* (Vol. 4, No. 6)

"Earn-a-Day Plan" Improves Attendance

THE "Earn-a-Day Plan" at Continental Casualty Company of New York, interests workers so keenly in setting a perfect attendance record that absenteeism and tardiness are effectively checked. As a reward for perfect attendance for 13 consecutive weeks, this plan entitles them to two free afternoons or (if they prefer) a full day with pay.

Employees earning this reward receive two detachable yellow coupons, signed by the personnel department, which read:

> For 13 consecutive weeks ending . . . you have not missed attendance nor been tardy. The company recognizes that fact by allowing you an "earned day." The time you select must bear the approval of your department head and must be taken at some time other than with the regular vacation.
>
> Give this ticket to your department head on the day prior to your absence. Department heads will please indicate the date taken, sign and forward to the Personnel Department.

To insure accurate time records, an employee timekeeper is appointed in each department to keep the attendance sheet. As employees arrive and leave, they sign the sheet, noting the exact time. At 9 a.m., the timekeeper draws a red line below the signatures to indicate the tardiness of those signing later.

Attendance is also a factor considered in the periodical rating of employees for promotion. To impress its importance, promotion is sometimes deferred if the attendance record of an employee, otherwise qualified, is unsatisfactory.

—ALICE CAMBRIDGE in *Office Management and Equipment* 8/46

• IT IS COMMON PRACTICE in using tabulating machines to list an address in three lines. This is correct correspondence style. However, putting the name on one line and the street address, together with city and state, on the second line requires only two tabulating cards and two machine cycles. By listing addresses as suggested, the tabulator increases production 50 per cent.

—*NY-NOMA Reporter* 5/46

Personnel

How Workers and Management Stand on Labor Controls

BOTH workers and management in American industry want legislation to control strikes and to make unions responsible under the law, according to a survey made recently by the McGraw-Hill research staff for *Factory Management and Maintenance.*

Scoring President Truman's labor-control proposals as wide of the mark and his veto of the Case Bill as inauspicious, the above conclusion comes from a nation-wide survey of both management and worker opinions of major legislative proposals.

The workers' poll, made through personal interviews with workers accurately sampled geographically, by union affiliation, by age, by sex, and by race, is representative of employee opinion in the manufacturing industries. Management opinion was compiled from a mail survey of members of top management distributed geographically over the country and through the major classifications of the manufacturing industries.

What chance the Administration will have of controlling the wave of strikes expected this fall and next spring is indicated by the opinions of workers and of management on the emergency powers President Truman requested. Opinion is divided on the emergency powers, as is shown in the response to the following questions:

1. *Do you think the President should have authority to draft workers into the Army when they refuse to work in struck plants which the government has taken over?* Only 39 per cent of management and 39 per cent of all workers agree with Mr. Truman here. The question also reveals a sharp cleavage between union and non-union workers. Only 30 per cent of union workers approve the proposal, but 53 per cent, a slight majority, of non-union workers are in favor. Because 67 per cent of workers in manufacturing industry are unionized, however, their numbers are enough to make the all-worker response to the question a 51 per cent majority *against* Mr. Truman.

2. *If workers refuse to work in plants taken over by the government, should they lose seniority rights?* A major point in the emergency powers program, this proposal is rejected by workers by a 55 per cent majority, though management approves it by 91 per cent. Union workers show the desire to defend their National Labor Relations Act rights by voting 62 per cent against the proposal, but non-union workers *accept* it with a 45 per cent response for, and a 42 per cent response against, it.

3. *Should management officials who interfere with the resumption of work in plants taken over by the government be fined or imprisoned?* Workers and management agree on this question, although workers are more conservative than management. Workers approve by 58 per cent, whereas management runs up an 80 per cent majority in accepting this restriction.

4. *Should labor leaders who interfere with the resumption of work in plants taken over by the government be fined or imprisoned?* This question, too, meets overwhelming acceptance

by management and a majority approval of all workers. Union members, however, show loyalty to their leaders: Only 47 per cent accept this restriction.

5. *If the government takes over a plant during a labor-management dispute, should profits from operation while under government control go to the U. S. Treasury?* Disputed in maangement circles almost as much as the "draft workers" proposal, the profits question is rejected by 95 per cent of management, though 48 per cent of all workers, including a 52 per cent majority of union members, approve it. This issue, hitting primarily at management's privileges, reveals the greatest disparity of all the 16 issues between management's and workers' opinions. The percentage of workers approving it is almost 10 times greater than that of management representatives voting "yes."

6. *Should the courts have authority to issue injunctions against union leaders who interfere with the operation of plants taken over by the government?* Although aimed directly at unions, the proposal wins the acceptance of both union and non-union workers and the approval of 97 per cent of management. Union and non-union members again differ in their thinking, 73 per cent of non-union members accepting as against 53 per cent of union members.

Management accepts the Case Bill proposals with a better than 90 per cent agreement on seven proposals, a majority acceptance of all but one. Workers, although they do not agree with management on four questions on minor provisions, overwhelmingly accept the major proposals.

Here's how workers and management look at the Case Bill provisions:

7. *Should there be a federal mediation board to step into disputes and forbid strikes or lockouts for 30 days while seeking to adjust differences between employers and labor?* One of the major provisions of the bill, this question is answered "yes" by 85 per cent of management and 86 per cent of all workers, clearly indicating the desire of both sides for strike-control measures.

8. *Should it be permissible to sue unions for breaking their contracts with employers?* Workers' desire for legislation to fix union responsibilities, putting a check on their own leaders, is shown in their 69 per cent acceptance of this proposal. The point is approved by 98 per cent of management.

9. *Should it be permissible to sue employers for breaking their contracts with unions?* A Case Bill provision, and included in the survey to eliminate any suspicion of partiality on question 8, this point is approved by almost the same majorities of workers and management that favor question 8's provision.

10. *Do you think supervisors and foremen should be prohibited from joining a workers' union?* Workers, 52 per cent of whom believe supervisors should be allowed to join rank-and-file unions, disagree with management on this question. Management, visualizing a split in its ranks, agrees with the prohibition by 92 per cent.

11. *Do you think supervisors and foremen should be prohibited from forming their own union?* Management's 92 per cent agreement on barring supervisors from workers' unions falls to 57 per cent here. A high proportion of workers, 67 per cent, believe that supervisors should have their own unions.

12. *Should employers be prohibited from contributing to worker-welfare funds which are controlled exclusively*

by unions? Management votes 90 per cent *for* prohibition, workers 63 per cent *against* prohibition.

13. *Do you think the government should create fact-finding boards to undertake settlement of labor-management disputes?* Management voted 55 per cent against the boards, workers approved them by 89 per cent. Here the difference in opinion probably stems from management's reaction to the fact-finders' almost universal rubber-stamping with the 18½-cent formula.

14. *Do you believe there should be a compulsory 60-day cooling-off period before a strike could be called, the 60 days to be used in an effort to settle the controversy?* This proposal meets 92 per cent approval of management, 78 per cent approval of all workers, clearly supporting the desire of both for legislation that will reduce the number of strikes.

15. *Should the government set penalties for workers who interfere with the movement of goods in interstate commerce?* The major issue of the "anti-racketeering" provisions of the Case Bill, this question got a 97 per cent approval by management, a 59 per cent approval by workers. Even union members accept it by 55 per cent.

16. *Do you think a striker who uses violence while picketing should lose his rights as granted under the National Labor Relations Act?* Though eliminated from the amended bill vetoed by the President, this proposal meets acceptance by big majorities, 98 per cent of management and 66 per cent of all workers.

Factory Management and Maintenance, July, 1946, p. 83:6.

Public Reaction to the Winter Strikes

IN the period that saw major strikes in the steel, automobile, and electrical industries, public opinion veered away from supporting management. Having introduced a new factor—the government—into the labor-management equation, the *Fortune* survey finds popular dissatisfaction equally apportioned among all three. Approximately one-fourth believe that the labor unions did the poorest job in handling their part in the winter strikes; approximately one-fourth believe the most inept was management; approximately one-fourth believe it was the government; the remainder simply don't know.

Replies to the following question make it evident that U. S. management has lost the margin of public favor it enjoyed half a year ago:

If you had been acting as a referee in labor-management disputes during the past three months, do you think your decisions would probably have been more often in favor of labor's side or more often in favor of management's side?

	Jan. '46	June '46
Labor	25.7%	37.1%
Management	44.7	36.6
Don't know	29.6	26.3

A simple explanation for this shift in sympathy would be that in the 1946 strikes the public saw more merit on labor's side than in those staged in '45. Two other factors, however, probably are involved. First, in 1946 it appeared as if management, not labor, were bucking the government. Second, labor has regained some of the prestige it lost as a result of wartime strikes.

Approximately 17 per cent of the people interviewed said that a close relative or friend had been on strike during the past six months. The 17 per cent were asked whether they felt it was worth while for the relative or friend to have been on strike. While 28.3 per cent indicated that they felt that it was worth while, 60.9 per cent indicated that they believe it was not; the remainder didn't know. As a group, housewives particularly felt that the strikes had not been worth while.

—*Fortune* 6/46

The Case for Arbitration

DIVORCES, not news of golden-wedding anniversaries, make headlines in the tabloid press. And it's strikes—not the orderly settlement of labor disputes by voluntary arbitration—that get most attention in industrial relations.

But the fact is that more disputes between management and labor are being settled by arbitration than are being fought out by the "persuasion" of picket lines or lockouts. A recent Department of Labor study of some 1,250 union contracts in 14 major industries showed that 75 per cent of the agreements, covering 82 per cent of the workers involved, provided for arbitration of disputes arising from the contract when normal grievance procedures failed to effect a settlement. These figures are probably even higher now.

Arbitration, of course, is no magic word that ends labor troubles. Pitfalls are many—they concern the type of arbitration clause written into a contract, the selection of an arbitrator, and, most important, the manner in which a case is presented for arbitration.

Management can and frequently has taken terrific—and quite unwarranted—beatings in arbitration because of its own lack of know-how. It behooves employers, therefore, to acquaint themselves with the basic facts about arbitration and its influence on the present-day industrial scene.

The American Arbitration Association, with national offices at 9 Rockefeller Plaza, New York 20, and 30 regional offices, is the accepted national agency for all types of arbitration. Its rules of procedure are followed generally.

The clearest definition of what can and cannot be arbitrated should be decided first. Renegotiation of contracts, quantity, quality, and price of products, and over-all wage increases are generally considered not arbitrable.

But an arbitration clause that sharply limits or restricts the issues which can be brought before a third person for settlement, need not commit all other issues to settlement by strike. With both parties pledged to the principle of arbitration, any existing issue can be readily submitted when each agrees under the following model AAA arbitration agreement:

"We hereby agree to submit to arbitration under the rules of the AAA and the Arbitration Law of (State), the following controversy now existing between us: (cite briefly). We further agree that the above controversy shall be submitted to (one) (three) arbitrators selected from the panels of the AAA; that we shall faithfully observe the agreement and the rules; that we shall abide by and perform any award rendered pursuant to this agreement; and that a judgment of the court having jurisdiction may be entered upon the award."

Use of AAA machinery to obtain arbitrators is not mandatory. Ford, Chrysler, and General Motors, for example, have permanent umpires under their contracts with the United Automobile Workers. A number of industries have regional or national "impartial chairmen." Many individual plants name in their contracts a permanent arbitrator.

Another method is to select an arbitrator for each case or set of cases by joint agreement. Many reputable, fair-minded, professional arbitrators are available for such service—but in too many instances labor and management are unable to agree. If the parties can't agree, selection of an arbitrator

may be left to some other agency or individual, such as the Federal or State Department of Labor or Conciliation, NLRB, National Wage Stabilization Board, a church organization or leader, or a judge.

In many contracts arbitration is turned over to a three- or five-man board, with the disputants naming an equal number of members. Often the effect of such an arrangement is that the odd man, in the final analysis, makes all the decisions. Generally speaking, therefore, it has been found most advantageous to submit the issues to a single arbitrator. The method of selection perfected by AAA is working out satisfactorily: AAA submits to both sides a panel of arbitrators selected on the basis of their familiarity with an industry or area and fitness to serve on a particular case. A typical list might have seven names. Each side can cross out the name of any arbitrator who is completely unacceptable. Each side then arranges the remainder in order of preference, sends its list back to AAA, and the available man with the highest preference on both lists is given the assignment.

One industrialist, who has used this method repeatedly, warns: "Management's case is generally given fairer consideration by older arbitrators with more experience in life or as employers. Younger men, or men without employer or factory management experience, are apt to take the socialist 'Give it to the worker' or 'Let's split the difference' attitude in settling disputes."

Inclusion of an arbitration clause doesn't put management in a legal strait jacket. But it does mean that all management should consider how every dispute may come before judicial ruling.

First requirement is complete familiarity with the contract, particularly on the part of supervisors and foremen. Union shop stewards know the rules—it's equally important that management know them.

Down-the-line management people must be trained to detect cases early that may wind up in grievances and, finally, arbitration. These must be reported to higher management and records prepared while participants in a dispute still have a fresh impression of all the facts. In too many cases, management has had to rely on confused recollections of incidents, while labor was able to produce carefully dictated and witnessed statements, prepared a few minutes after the disputed event took place.

Arbitration procedure is essentially judicial. But, compared to other types of legal proceedings, hearings are less formal, greater latitude is usually given witnesses, and strict legal restrictions of the rules of evidence are generally disregarded.

Arbitration is generally less costly than even the shortest work stoppage: Arbitrations supervised by AAA require the payment of a $24 administrative fee by each party, which includes the first hearing, and $15 for each subsequent hearing. AAA arbitrators serve voluntarily, but the parties may agree to a fee of $25 to $100 per hearing.

Actually fees were paid in 1945 in only 21 per cent of cases handled by AAA. In supervised arbitrations, fees have sometimes been excessive. However, the payment of fees from $25 to $100 has been recommended by NWLB and its successor, the National Wage Stabilization Board.

Costs generally depend upon complexities of case, number of hearings, and experience of arbitrator. Stenographic records—a high-cost item in

judicial proceedings—are seldom kept.

In conclusion, it should be borne in mind that arbitration won't take the place of collective bargaining. But it is an inexpensive, fair, and basically American way to settle labor disputes.

Modern Industry, March 15, 1946, p. 46:4.

Supervisory Training in Industrial Sanitation

RECOGNIZING that industrial sanitation has long been a neglected function in industry, often entrusted to workers who are not trained or fitted to do any other type of work, the Industrial Sanitation Research Foundation recently initiated a special training program at the Joseph E. Seagram and Sons plant in Louisville, Ky.

Since a great many sanitation workers are Negro and have not hitherto been given formal training in this type of work, it was decided that a supervisory training program in industrial sanitation would do a double-barreled job: develop a corps of trained specialists and enable Negro workers to equip themselves for supervisory positions.

Therefore in October, 1945, 12 Negro men were selected on the basis of education, experience, and interest for a nine-month course. These trainees have worked 40 hours weekly in the Seagram plant, rotating through sanitation jobs in every area of the plant. Four hours each week have been spent in class, where members of the Foundation staff and university professors have conducted courses in public speaking, business correspondence, technical report writing, industrial management, fundamentals of sanitation technology, methods engineering, sanitation planning and rating, purchasing, and accounting.

Several companies have already expressed their interest in employing these trainees as sanitation supervisors. Because of the success of this trial training plan, it is probable that the Foundation will continue the program on a permanent basis.

—*Sanitation News Letter* (Industrial Sanitation Research Foundation) 6/1/46

Veterans Being Placed

ALTHOUGH veterans' job rights under the Selective Service Act have involved labor and management in controversy and court action for two years, the Department of Justice has concluded that 999 of every 1,000 veterans with reemployment rights "have had no difficulty concerning restoration to their old jobs."

Attorney-General Tom Clark announced that of an estimated 4,000,000 servicemen with job rights only 4,531 applied to his department between July 1, 1944, and July 1, 1946, for assistance in getting their old positions back. The department assumes that all the rest either did not seek their old jobs or else have been welcomed back into them.

Of the 4,531 cases brought to the Department of Justice, 1,323 "were settled by amicable adjustment" after conferences between U. S. attorneys and the employers concerned; 218 were taken into federal courts; and the remaining cases (except for 1,150 still pending) were settled either by cash payments to the veterans or by decisions holding that rights were not violated.

—*Business Week* 8/17/46

• WITH ITS PRIMARY OBJECTIVE the general improvement of all house organs—of which there are some 6,000 in the United States and Canada, with a monthly circulation that has passed the 40,000,000 mark—a new publication, *deadline,* is being issued monthly by the International Council of Industrial Editors. House organ editors and personnel executives may obtain a complimentary sample copy upon request to the Council's offices at 480 Lexington Avenue, New York 17, N. Y.

Spruce Up the Boards!

ONE of the most neglected of employer-employee communication media is the plant bulletin board, used widely during the war for morale material, now to a great extent forgotten. Chief reason for this neglect is that management usually entrusts bulletin boards to overworked personnel managers or safety directors who lack time as well as an essential sense of showmanship. A recent canvass of 20 industrial plants in the greater Chicago area showed only three making effective use of plant bulletin boards.

Watch for these essential factors:

Location: Have bulletin boards conveniently located in plants, near but not in areas of congestion. Many boards are located at isolated points away from employee traffic, in places where employees come upon them quickly, pass them without noticing them. Locate boards so they can be seen at a distance, make them appealing enough so that employees voluntarily approach and examine them.

Color: Use arresting, contrasting colors for board or trim. Boards must stand out against the color pattern of the shop.

Variety of material: Avoid sameness. There should be a balance between items of general interest and plant interest. Keep the board full, but show discretion in use of space surrounding announcements or pictures. Develop a balance between illustrations and text. Consider eye-catchers—pictures or color effects that will bring employees to the board.

Frequency of change: Make changes regularly, at least every two weeks, preferably each week. If an announcement must remain, revise it physically so it will continue to command attention. Hand-lettered announcements are more effective than typewritten notices.

Cleanliness and orderliness: Keep boards clean and neat. Use glass panes, and see that the glass is kept clean.

Remember: The plant bulletin board is a point of daily contact with employees; it can be helpful or not, depending upon the efficiency with which it is used. Whenever bulletin boards are of standard size (if they're not, it is wise to standardize them), a master program should be developed, content mapped out in advance, and material spotted for position on boards. Boxes or trays below boards may be utilized for distribution of printed literature management wants employees to have.

Develop the habit in the employee of having him look at his bulletin board by scrapping the outdated material, giving the board color, variety, and human interest.

—*The Score in Employer-Employee Media* (Newcomb & Sammons), No. 1

Rising Union Costs

LABOR unions, like the businesses around which they are organized, have been hit by rising costs of operation. Says one outspoken labor chief: "It even costs us more to maintain soup kitchens for our striking members."

Militant union officials have served notice they will go after new pay increases for their members later this year. If necessary, they've hinted, they will strike to enforce demands. But some federal labor experts are predicting that a growing stringency in union finances will head off some work stoppages, and shorten others.

Many CIO unions are actually going in the red because of higher operating costs and declines in membership. They are spending literally millions of dollars to recruit new dues-paying members to replace those lost when war plants closed. Some unions haven't had time to recoup monetary losses suffered in recent strikes.

The secretary-treasurer of the UAW (CIO), for instance, stated a few weeks ago that the union was operating at a deficit of $200,000 monthly. The UAW's assets at last report were about $500,000, a decrease of $1,000,000 since V-J Day.

Unions determined to carry out strike threats probably could do so by "deficit financing"—drawing on their capital and reserves. But this could easily mean a forced curtailment of other activities—the drive to organize southern industries, for example.

With the need for economy in the back of their minds, some CIO union officials frankiy admit they will be more amenable to serious negotiating before calling strikes. Privately they suggest that new stoppages, if they occur, can't last as long as recent ones, if the unions are to escape with their financial hides.

—*The Wall Street Journal* 7/19/46

Production Management

Plant Expansion Being Overdone?

DURING the past few years, government and private funds have been poured into productive plant and equipment at a rate never before equaled. The trouble is that many of these assets were "productive" for war purposes only. Now the nation no longer needs Liberty ships, tanks, aircraft, and ammunition in endless quantity, and to the extent that facilities for the production of such items cannot be converted to peacetime uses, they must be scrapped or stand expensively idle.

On the one hand, plant expansion for the production of peacetime goods has failed by a large margin to keep pace with our rapidly expanding national income. On the other, a tremendous deferred demand has been built up for many categories of such goods as a result of wartime restrictions on output which in many cases amounted to complete prohibition.

Private business accordingly made grandiose plans for expansion of its productive facilities, to start as soon as possible after the war ended. This was as it should be. But as month has succeeded month, there has been little indication that this program was likely to slacken. Of course, construction has been held up by strikes and shortages of both labor and materials, but even as industry watched its current plans slow up in execution, it busily laid new ones.

The result has been a succession of announcements of forthcoming construction expenditures, with each revision showing a larger total than its predecessor. Some industries are doubtless incapable of meeting present or prospective consumer demand without a substantial expansion of their facilities; others appear, to some degree at least, to be expanding for expansion's sake. To some extent, the latter development is due to the fact that when one important factor in an industry expands its capacity, its competitors feel they are forced to do likewise in order to maintain their relative trade positions.

It is difficult to draw clear-cut distinctions between groups falling in the first category as distinguished from the second. No one knows to exactly what extent, or at what cost, war plants can be converted to peacetime uses; no one can make better than an informed guess at long-term future demand in any field. But as a generalization, it seems logical to assume that the growth in the scope of the national economy since before the war justifies considerable expansion in production of many basic raw materials such as oil, steel and non-ferrous metals, in public utilities, transportation, communications, chemicals, and certain industries (such as the building supply trades) which have been through such a long drought that it will take many years to satisfy deferred demand.

But there is at least some question as to the wisdom of too great an increase over present levels in the capacity for production of such consumer goods items as automobiles and accessories, radios and other household electrical equipment, furniture, clothing (including shoes), tires, and agricultural equipment. True, the demand for all these products is, or seems,

insatiable at present. But it is universally recognized that the situation is abnormal and temporary, reflecting in large part the fact that these items were not readily available during the war.

If productive capacity in such lines should be expended to a point anywhere near the levels corresponding to current demand, a day of reckoning would surely come when, faced only with replacement requirements, the industries involved would find their facilities excessive. The inevitable result would be increased competition and a severe shrinkage in earning power.

In addition to the general considerations outlined above, there are two more specific factors indicating that certain industries might well go slow with their expansion plans. One is the extremely high current level of building costs. As measured by the American Appraisal Company index, they amounted to 317 per cent of the 1913 average in June, against 200 per cent for the year 1939. The latest figure was an all-time record.

The other unfavorable factor is the large element of doubt as to the possibility of carrying out present large-scale building plans in time to skim the cream off the current inflated demand. As evidence has grown of the progressive breakdown of the veterans' housing program, more and more severe government regulations have been leveled against non-residential building. To date, these appear to have had little effect; industrial building has increased in every month since April, 1943, amounting in July to $157 million against $58 million in August, 1945. But the latest government restriction, promulgated just a few days ago, effects a reduction of 27 per cent in the volume of permissible non-residential construction. And even if no legal barriers existed, the shortage of materials would effectively prevent current industrial building plans from being carried out on schedule. Thus a good possibility exists that by the time projected plants go into operation, the major portion of the deferred demand they are designed to fill will have been satisfied by plants now in existence.

Financial World, September 4, 1946, p. 7:1.

Building Restrictions Dictate Better Upkeep

GOVERNMENT building restrictions—piled on top of serious shortages of materials—make careful maintenance of existing plant structures more important this year than ever before. To aid in setting up a program of preventive maintenance, *Factory Management and Maintenance* studied the practices of 25 representative plants to obtain a current picture of building maintenance practices.

The survey indicated that only 72.5 per cent of the plants surveyed have definite schedules for the inspection of certain important elements of plant buildings, and such general service equipment as piping, lighting, and heating systems. This should not be taken to mean that the remaining 27.5 per cent do not inspect their buildings and service equipment, but it is fair to assume that such inspections are not made on planned schedules.

The frequency with which building elements and service equipment are inspected varies widely. The following are representative of *Factory's* findings:

Foundations, columns, girders, beams. Of the 25 plants covered, 17 inspect regularly and 15 do so yearly. One plant schedule calls for monthly inspection, whereas in another inspections are made at six-month intervals.

Floors. In 16 of the 25 plants, the floors are inspected regularly. In six they are inspected monthly, yearly in five other plants. A weekly inspection is made in three plants. One plant inspects floors every three months, and another every six months.

Stairways. Seventeen inspected regularly. Six do so yearly; five, weekly; four, monthly; one inspects every three months; one reports continuous inspection.

Roof covering. Opinions on this important element seem to vary rather widely. Six out of 22 plants report no regular examinations. Of the remaining 16, one inspects weekly; one, monthly; one, every four months; three, every three months; three, every six months; six, yearly; one, continuously.

Fire escapes. Of 23 plants reporting, 17 inspect regularly—three, weekly; five, monthly; one, every three months; one, every six months; and seven, yearly.

Heating system. Whatever the type of heating system used, it receives more attention than any of the other items listed here. Twenty-one out of the 25 plants surveyed have definite inspection schedules. Inspection intervals vary from once a year to 365 times a year.

—*Factory Management and Maintenance* 5/46

Cutting Waste

AT the Dayton Rubber Manufacturing Co., Dayton, Ohio, the average person's concept of "waste" is illustrated to supervisors in the following manner. When a group of supervisors is scheduled for a conference on waste, they find, on entering the conference room, a ten-cent piece and a piece of rubber material. The first supervisor to enter almost invariably picks up the dime and kicks the piece of rubber aside. Thereupon, the conference leader points out that the piece of rubber is worth identically the same as the dime.

At the meetings, supervisors report new ideas for cutting waste which they, or their workers, have found effective. All supervisors benefit from the discoveries in their respective departments.

One of these "waste-cutting" ideas is to place a sign on each machine. These signs show the type of material used on that machine, its original cost, and the cost of salvage material. Thus workers have in front of them the dollars-and-cents value of scrap material.

—*Management Information* 7/15/46

Shaving Costs by the Mill

AUTOMOBILE production costs for material and labor are generally scanned to the tenth of a cent. With the new labor rates, time of operations will be scrutinized even more closely.

Cost engineers now divide a car into each component and tell the purchasing and departmental production chiefs how much of the total cost is allotted to each department. Studies are made of shop layouts, operational methods, power required, direct labor, material, and salvage to cut the dollars down to cents and cents to mills.

During the war many airplane builders of the old school squared their material before it went to the forming department. Early in 1942 scrap was running as high as 75 per cent in some plants. Output, not cost, was paramount. Automotive production men soon nested the punchings and took them from a strip instead of from a unit rectangle.

Naturally this required changes in the type of dies so the strip could be fed through the die and press, but reduction in scrap was more than 50 per cent. In the automobile business, 40 per cent scrap is high. One engineer, by combining more than one piece in a blanking die, has increased the average percentage of strip steel utilized from 60 to 83 per cent.

By substituting a self-locking nut for a castellated nut and cotter pin in one car, more than $1,500,000 per year was saved in direct labor, thus offsetting the higher cost of the nuts.

Another automobile company carefully studied the bill of material on bolts, nuts, and screws. It was found that many special lengths could be eliminated by using a standard length perhaps 1/15 or 1/32 inch longer or shorter. It is said that this standardization increased the production runs on certain sizes or allowed commercial lengths to be used, thus effecting a saving of over $2,000,000 per year. This is also an important way to prevent shortages at critical times.

—*American Machinist* 6/6/46

Marketing Management

Individual Allowances for Salesmen's Cars

EVER since passenger automobiles became widely used in business travel more than 25 years ago, management has conducted endless experiments to determine fair and economical flat rate allowances for the operation of salesman-owned cars on company business. Every conceivable type and amount of flat rate allowance has been tried out during this period. Most commonly used was the flat allowance per mile. Next in popularity was the flat allowance per day, per week, or per month. Finally, the combination of these two types of flat allowances was tried.

Studies of thousands of cases of flat allowances in comparison with normal auto operating costs reveal, however, that in only one case out of 10 is the flat allowance reasonably accurate—that is, within $25 per year of the actual operating cost. In the remaining nine cases it results in serious overpayments or underpayments ranging up to many hundreds of dollars per year.

There are three factors, inherent in the conditions governing the countrywide operation of passenger automobiles, which cause flat allowances to be so grossly inaccurate. These factors are: variations in annual miles traveled; variations in operating conditions and prices; and variations in price classes of cars.

Consider, for example, a case where three salesmen are operating similar cars within the same territory. The mileage of the first is low; the mileage of the second is about average for all salesmen in the firm; the third travels many more miles than the average. If all three operate on the same flat rate, say 4.5 cents per mile, the first salesman will probably lose money; the second may just break even; and the third will undoubtedly be grossly overpaid. This, obviously, is because each of these drivers incurs heavy fixed expenses on the items of insurance, license, and depreciation, which do not increase directly with the mileage driven. Thus the more miles driven the lower the cost per mile.

Realizing the inequities in reimbursements to individual salesmen resulting from the application of flat mileage allowances, many companies have resorted to the use of one of the following modifications of the flat allowance:

1. A sliding scale providing for gradually decreased allowances as mileages increase.
2. A uniform fixed allowance providing a monthly payment to cover depreciation, insurance, and license costs combined with a mileage allowance to cover the variable operating costs.

Both of these developments help to overcome the inequalities resulting from the use of a flat allowance plan described above, but they do not eliminate inequalities in reimbursements to individual salesmen because they do not take full account of two other fundamental factors—variations in operating conditions and prices, and variations in price classes of cars.

For example, the costs per mile (gas, oil, greasing, washing, maintenance,

and tires) for operating a car in the Chevrolet price class range from 2.45 cents in the Midwest to 3.45 cents in the Rocky Mountain region—a difference of 1 cent per mile on these few items alone.

Fixed costs likewise vary between localities. Annual costs of insurance, license fees, and depreciation for a car operated in Montana amount to fully $150 more than the cost of the same items for the same car in Michigan!

Realization by progressively managed companies of the serious shortcomings of the usual uniform flat allowance method has resulted in the development and use of individual standard allowances as the most satisfactory means of giving a square deal to both salesmen and the company. This method has three essential characteristics:

1. It develops allowances specifically applied to a definite make and model car.
2. It reflects accurately the operating and price conditions in each individual territory.
3. It provides reimbursement for fixed costs of insurance, license fee, and depreciation on a monthly basis, plus reimbursement on variable costs of gasoline, oil, maintenance, and tires on a mileage basis.

For each salesman a master schedule of automobile standard allowances is set up. This form includes blanks for the salesman's name, his territory, name of his home city, his anticipated annual mileage, type of car he drives, and name of the car on which his operating costs are based. (For example, operating costs for all salesmen's cars may be based on the cost of operating some brand car in the popular-priced group. Thus salesmen may drive all makes of cars within all price levels; allowances in every case, however, will be based on the costs of operating some particular brand of car—say, a Chevrolet or Ford.)

For each salesman, variable costs—i.e., those which increase in direct proportion to the number of miles driven—are computed. These cover costs of gasoline, oil, maintenance, and tires, based on the price level obtaining in the salesman's particular territory. These items determine the final allowance per mile for each territory.

In a like manner fixed costs are determined for each salesman. These cover various types of insurance, license fees, and depreciation. Total yearly fixed costs are then broken down into twelve parts, to be paid to salesmen monthly.

A special depreciation adjustment factor should be taken into consideration in cases where business mileage at the end of a 12-month period totals more than 18,000 for cars in the low-price class. In such cases the driver should receive an annual adjustment on all business mileage in excess of 18,000, at some given rate per thousand miles.

Obviously, keeping of separate accounts to determine individual salesmen's allowances requires time and effort. If it is to be efficient, it will usually demand the full-time attention of one man with thorough accounting background who can take responsibility for gathering the basic figures and properly administering the plan.

Like the problem of finding a workable compensation plan for salesmen, determining the best method for reimbursing their automobile transportation expenses depends upon individual analysis of each company's problem. The greater the variations in the number of

men in the field, the number of miles they drive, and in the types of terrain covered, the better the opportunity for making substantial savings through improved efficiency in auto cost accounting.

By R. E. Runzheimer. *Sales Management,* July 15, 1946, p. 74:4.

Business on Wheels

AMERICAN business men are taking to wheels! Groceries, home appliance stores, dress shops, printing establishments, repair shops—these are but a few of the many varieties of enterprises which are now moving their shops into mobile trailer stores in order to bring their goods and services directly to customers' doorsteps.

Already under way when the war brought it to a temporary halt, the development of the trailer as a mobile store received a fresh stimulus from the many uses to which the armed forces put it. Servicemen planning their own postwar businesses, impressed by the varied applications found for the trailer by the Army and Navy, are expected to add their names to the growing list of merchants who are putting their businesses on wheels.

An example of the widening scope of trailer-type establishments is the fully-equipped supermarket on wheels planned by the Associated Food Distributors, Inc., for a West Coast city. The executives of this company, backed by many years' experience in the retail food business, also plan to cater to the larger food consumer as well as to the individual housewife. Restaurants, hotels, steamship companies, and other large food purveyors will be served. The company is even planning to add a laundry and dry-cleaning service for its clients. And future plans call for the addition of a complete line of household gadgets. The latest report is that a walkie-talkie system will be utilized in merchandising the wares.

Even professional men may participate in the trend. The Navy, for instance, is using a 14-ton truck-trailer unit as a mobile dental office. Fully equipped with the latest in dental instruments, this type of trailer serves Naval personnel at stations where there is no dental treatment or where facilities are inadequate. This points the way for possible application in the civilian world. There are many sparsely populated rural districts, as well as isolated logging camps and construction projects, where the services of a dentist or doctor could be provided by a traveling dentist's or doctor's office, or a small clinic.

The staid banker is also taking to wheels. One New England bank has equipped a trailer with a cashier's counter, teller's cage, and a safe, and intends to service communities having no banking services.

—*Forbes* 1/15/46

• THE NUMBER of sales managers earning $20,000 or over is running double 1940, according to a survey being conducted by The Dartnell Corporation. Early reports indicate that most of the top earnings are in the distilling, office equipment, and home appliance fields.

AMA WINTER MARKETING CONFERENCE

A Conference of the Marketing Division of the American Management Association will be held on Thursday and Friday, January 9 and 10, 1947, at the Hotel Commodore, New York City.

The Conference Method of Sales Training

EVERYONE agrees that sales training is a *must* to provide the flow of goods that will keep factory wheels moving. Fresh from the experience of war training, many industries are now trying to adapt such methods as the discussion or conference technique and the use of visual aids, such as motion pictures, slide films, and models, to sales training.

The adaptation is not an easy one, because salesmen and management frequently fail to recognize that there is a certain skill to successful salesmanship as we know it today. Salesmen are frequently reluctant to admit the importance of marketing knowledge and planned distribution; and management still believes in *telling* instead of *showing*.

Many companies, however, are giving the newer and more difficult methods a fair trial. These methods are not so spectacular as the traditional methods, but they should, in the long run, provide a group of salesmen with a genuine foundation in the meaning of selling as a service to the consumer and as an important link in the distribution of goods.

The conference method consists of a short informative narration followed by a series of well-planned questions to a group of 10 or 15 men gathered around the conference table. The questions are phrased so as to alert the thinking and imagination of every man in the group. The success of the method depends to a large measure on the manner in which it is presented. The following instructions, to be given to the conference leader, illustrate the emphasis put on the manner of presentation.

1. Have a plan—don't let the meeting drift. The most common criticism of sales meetings is lack of direction. A wise conference leader plans his meeting and runs it with clockwork precision. It starts on time. Each discussion moves toward a definite goal. Every action has a relation to that goal.
2. Give the meeting a helpful tone. Make it clear to the men that they do not have to be an audience for you but that you are there to try to help them. It is a mistake to think salesmen have to be entertained and kept awake by stunts. An objection to permitting too much kidding at meetings is that the more timid salesmen draw into their shells. They are afraid they might be kidded, if the meeting is in that mood. This is especially true when salesmen are to be asked to give a sales talk or a demonstration of their method of selling.
3. Do not let meetings become monotonous. When salesmen are called together for conferences at regular intervals, added interest can be obtained if there is some variety to the meetings—in other words, a change of pace. This takes planning.
4. Draw out the thinking few. One of the most important contributions sales conferences can make is helping men to master their self-consciousness. The curse of many meetings is the man who keeps talking all the time. The skillful conference leader, gently but firmly, holds down such individuals by calling on those who are not so talkative but usually have more to contribute.
5. Do not permit side shows. As already stated, the success of the meeting depends upon the ability of the leader to reach a definite objective. Usually there are a few members of each group who seize the opportunity to express themselves on other subjects, or to say a few words on some of their pet ideas.
6. Do not promise to do something "in a minute." If you plan to talk on a certain subject, keep it a deep, dark secret. Take it up in its turn without previous announcement. Do not say "I'll cover that in a few minutes." The boys hope to get home in a few minutes. Announcing that you plan to keep on talking does not help.
7. Do not deprecate yourself. When you set out to do a demonstration, avoid saying "I don't know whether or not this will explain my point." Do not announce, "These charts were made up for another purpose, and I'm not sure they will show what I want." Avoid starting your talk by saying "If you will bear with me." If you have doubts about the interest or worth of your material,

how can you expect the audience to believe in it? If you feel it doesn't make the point, discard it.

8. Take some action at every meeting. The steps in a successful meeting as stated in a recent bulletin on conference leadership are:
   a. Assemble all the facts.
   b. Select the important facts to be discussed.
   c. Evaluate these facts.
   d. Make a decision.
   e. Develop a plan to carry out the decision.
   f. Carry out this plan.
   g. Check the results.

For psychological reasons, the conference leader cannot dominate the discussion; he must direct it. Success hinges on establishing a common level at the conference table, so that each man feels he is in a position to make as important a contribution to the discussions as any man in the room, including the leader.

The conference leader is not presented to the group as one presumed to have superior knowledge or more information about the subject than the men in attendance. Prior to assuming this new responsibility, however, the leader goes through a period of training in the proper conduct of a conference. He must be able to anticipate the trend of discussions and bring under control situations which may tend to lead away from the prearranged schedule. Also, he must secure contributions from all conferees and make sure that the discussions lead to a definite conclusion.

While the conference leader has the probable answers in his notes to all the questions he proposes to ask, he himself never gives the answers. These he draws from the men.

The leader is skilled in the use of training aids or props and knows how to secure the most effective results. On an easel placed conveniently near him is a large pad of paper. When the leader asks a question, he also writes it on the pad. As the answers are given by the conferees, he lists them on the pad where all can easily see them. Each man in the room is expected to try to offer an answer which will be different from or better than those given by other salesmen. The use of a pad has proved more effective than the blackboard method, because each sheet can be removed and tacked up to provide easy reference to previous questions and answers as the conference proceeds. The completed sheets also give the leader and the home office a complete summary of the conference proceedings.

BY W. F. WRIGHTNOUR. *Executives Service Bulletin,* April, 1946, p. 7:2.

Competition with European Wage Rates

WHILE most sales managers are willing to let prices rise if the higher prices stimulate production, some wonder how we are going to hold our domestic markets in the face of low European wage rates.

For example, German camera manufacturers are preparing to go after business in American markets as soon as conditions permit. Labor used in making precision cameras is paid about one-tenth of what similar labor is paid here. Such cheap labor, *The Wall Street Journal* points out, would enable the Germans to sell for $100 a fine camera which would cost American producers $320 to make.

The higher U. S. wages climb, the more difficult it will be to compete with European products, both at home and abroad. Perhaps this may be one more reason why we should not go overboard building an extensive export business.

—*News Letter* (The Dartnell Corporation) 5/4/46

Financial Management

Penalties on Retained Profits

THE unprecedented accumulation of corporate profits during the war years constitutes an invitation to the imposition of the special Section 102 tax of the Internal Revenue Code. The purpose of this levy is to discourage corporations from retaining unreasonable amounts of earnings which otherwise would be distributed to stockholders as dividends. These undistributed corporate profits do not escape corporate taxation, but they have the effect of minimizing the taxable earnings of stockholders. This statute in reality authorizes a penalty tax, in addition to all other taxes on corporations which are formed or are used for the purpose of lowering surtaxes of their shareholders or the shareholders of other corporations by retaining earnings instead of distributing them.

Section 102 is not designed to protect the financial interests of unwary stockholders against greedy corporations; on the contrary, it is intended to prevent scheming stockholders from avoiding personal high surtax rates. This they otherwise would achieve by allowing their controlled corporations to accumulate profits, while they bide their time until a more favorable tax situation arrives.

Corporations may retain profits for good business reasons, but the minimizing of the taxes of its shareholders is not one of them. The creation of financial reserves to meet emergencies and to purchase additional plants are acceptable reasons for the accumulations of profits. Yet, the Treasury may dispute the reasonableness of the amount or the purpose of these accumulations and levy the Section 102 tax. After all, reasonableness in these situations is a matter of judgment based on singular sets of facts peculiar to the respective corporations. Should the Treasury's indictment of the corporation's evil intent in behalf of its shareholders prevail, the corporation is liable for a special surtax of 27½ per cent of the undistributed Section 102 net income up to $100,000 plus 38½ per cent on the balance.

The penalty tax actually is not levied on the unwarranted accumulated surplus. Technically it is applied to the "undistributed Section 102 net income," which may only approximate this amount. It is computed as follows: The corporation's net income is increased by any allowed net operating loss deduction and capital loss carryover. This sum is then reduced by the amount of income taxes paid, charitable contributions in excess of 5 per cent of net income, and disallowed net capital losses. The resulting total is Section 102 net income. To compute "the undistributed Section 102 net income," this figure is further reduced by the amount of taxable dividends paid, allowance for consent dividends, and net operating loss credit. All these factors may not be present in all instances. The repeal of the excess profits tax for this and subsequent years has eliminated the adjusted excess profits net income as a deductible factor for these years which makes corporations more vulnerable to the Section 102 tax, and this tax becomes

all the more oppressive when it is levied.

The real menace to all corporate profits reserves today lies in Treasury Decision 4914 made in 1939 and Treasury Decision 5398 of 1944. They were promulgated by the Treasury in the form of instructions to Revenue agents so as to implement and enforce Section 102. In the course of their regular audits, agents are expected, after careful examination, to make specific recommendations for the assertion or non-application of Section 102 in the following instances:

1. Corporations which have not distributed at least 70 per cent of their earnings as taxable dividends.
2. Corporations which have invested earnings in securities or other properties unrelated to their normal business activities.
3. Corporations which have advanced sums to officers or shareholders in the form of loans out of undistributed profits or surplus from which taxable dividends might have been declared.
4. Corporations, a majority of whose stock is held by a family group or other small groups of individuals, or by a trust, or trusts, for the benefit of such groups.
5. Corporations, the distributions of which, while exceeding 70 per cent of their earnings, appear to be inadequate when considered in connection with the nature of the business or the financial position of the corporation or corporations, with accumulations of cash or other quick assets which appear to be beyond the reasonable needs of the business.

The widespread susceptibility of American business to the impact of the Section 102 tax is particularly well revealed in the phenomenal economic history of the war years. Total corporate retained earnings are expected to approximate $28 billion for the years 1941 to 1946 inclusive. The Securities and Exchange Commission reports that the net working capital of corporations, exclusive of banks and insurance companies, amounted to $48 billion on June 30, 1945, while on December 31, 1939, the amount was about one-half, or $24.6 billion. But, how much of these accumulated earnings are reasonable and not within the purview of Section 102?

No general rule as to what constitutes an unreasonable accumulation of earnings can be made. Each case must be decided on the particular facts surrounding it. The fate of a corporation in this regard rests with the judgment of the Revenue agent and his superiors in the Internal Revenue Bureau. An adverse conclusion by the Commissioner may be referred to the Tax Court for final decision in most instances. The taxpayer is denied recourse to the higher federal courts because the findings of the Tax Court are usually final when questions of fact rather than law are in dispute, and it is fact rather than law which is decisive in a controversy over the reasonableness of an earned surplus account. Conclusive evidence of the accumulation of profits beyond the reasonable needs of a corporation is considered decisive evidence of the purpose of reducing surtaxes for its shareholders unless the corporation can by a clear preponderance of evidence prove the contrary. The amount of previously retained surpluses will have a bearing upon the reasonableness of the amount accumulated in the year in question. However, the application of Section 102 for the improper accumulation of earnings in one year does not in itself condemn the corporation's practices in other years.

For the current year and in the near future, dividend policies of many corporations may have to become more liberal if taxpayers are to avoid exposing themselves to the application of the heavy Section 102 tax. If surplus reserves are essential and the reasons

for them justifiable, these reasons should be recorded and preserved, together with all supporting evidence such as directors' minutes, and accounting, legal, and economic opinions. The Treasury will be particularly critical of permanent investments in unrelated business ventures and of loans made to officers and stockholders, especially in closely held corporations.

By J. H. Landman. *Dun's Review,* August, 1946, p. 18:7.

Insurance

Group Insurance Survey

MILLIONS of Americans have voluntarily secured insurance protection against the economic hazards of illnesses and accidents through group insurance in private insurance companies, a survey just completed by the Life Insurance Association of America reveals. As opposed to proposals arising in some quarters for state-operated insurance plans, this coverage was largely underwritten through the employers of the persons covered. Life insurance companies and casualty insurance companies which together received over 98 per cent of the total estimated 1945 group premiums and considerations on United States business contributed figures for the survey.

At the end of last year, 5,921,360 persons were carrying group accident and health insurance providing an average weekly indemnity of $17.03 for each person insured, to compensate partially for wage loss during disability, according to the survey. Premiums paid during the year for this coverage amounted to $115,989,000. This was in addition to benefits provided directly by employers who, by custom or otherwise, have established plans of sick-leave pay for their disabled employees, and also to individual policy coverage and coverage in mutual benefit associations.

Hospital and doctors' bills are also being taken care of by group insurance. At the end of last year, group hospital expense insurance was in force on 4,371,350 employees and on 3,432,320 members of their families, providing coverage against the cost of hospital room and board and, to a large extent, the other types of charges incurred by hospitalized persons. With respect to doctors' bills, group surgical expense coverage at the end of the year was provided for 3,948,565 employees and for 1,587,669 members of their families, who were insured for average maximum surgical benefits of $146.66 and $130.61, respectively, per operation. In addition, 335,152 employees and 97,876 dependents had group medical expense insurance providing general coverage against doctors' charges. Premiums for these three classes of health insurance amounted during the year to $90,195,000. Hospital, surgical, and medical care insurance under such plans as the Blue Cross coverage, where substantial amounts also are in force, and individual policy coverage were not included in the survey.

Group life insurance — the most widespread form of group coverage— was in force on 11,329,388 persons for a total amount of insurance of $22,426,725,000 at the end of the year.

The total premiums paid during 1945 amounted to $300,911,000. In addition, at the year-end there was $234,671,000 of group life insurance for discharging installment debts of borrowers, and $489,351,000 of wholesale life insurance. Additional group accidental death and dismemberment insurance was provided for 3,709,071 persons, for a total coverage of $6,407,853,000.

Supplementing the retirement benefit coverage of the Social Security Act, group annuity contracts covered 1,275,566 persons, for annuity benefits purchased during the year by considerations totaling $300,627,000. The total 1945 premium income for group and wholesale insurance coverages was $526,447,000, bringing the total premiums and considerations for all lines of insurance and annuity protection purchased on a group basis to $827,074,000.

The Weekly Underwriter, September 21, 1946, p. 696:1.

New Bond Package Aids Construction

EVERYONE contemplating new construction or remodeling will be greatly aided by a new bond package guaranteeing completion of the project and the payment of labor and materials costs, according to an announcement by the Association of Casualty and Surety Executives. Alexander Foster, Jr., manager of the Association's surety department, which assisted a group of surety underwriters in preparing the bonds, said the new package represented an effort on the part of the insurance industry to make its fullest facilities available for stabilization of construction.

The new bond package consists of a new form of performance guarantee and of a new and separate supplementary payment guarantee. Under the performance guarantee, the surety company will now agree that, if the contractor defaults, it will arrange for completion of the work and will also furnish any additional financing made necessary by the default.

Under the terms of the payment bond, the surety company guarantees that the completed structure will be turned over free of mechanics' liens and that subcontractors, labor, and materials men will be paid promptly for work and materials used for purposes of the contract. This guarantee of payment for labor and materials, Mr. Foster said, removes the credit hazard for the building supplier and offers him an inducement to set more advantageous prices—which should result in a freer and easier flow of materials to the job.

Mr. Foster pointed out that during the 12-year period from 1934-45 inclusive, there were 6,738 recorded failures among contractors and others in the construction industry in the United States, leaving in their wake insolvencies with total losses in excess of $155,000,000—an average of over $1,000,000 per month.

Use of performance and payment guarantees will enable the owner and prospective builder to procure the benefits of competitive bids through the surety companies' guarantee of the bid accepted.

The new bond package has now been made available on a nation-wide basis through local insurance agents.

—*The Weekly Underwriter* 8/17/46

FALL INSURANCE CONFERENCE

A Conference of the Insurance Division of the American Management Association will be held on Thursday and Friday, December 5-6, at the Hotel Drake, Chicago.